

Marketing Communication for Professional Investors in Austria, Belgium, Germany, Spain, United Kingdom, Italy, Luxembourg and the Netherlands.

Aperture Investors SICAV Discover Equity Fund (the “Fund”) was down -4.83% net of fees in the second quarter of 2024, underperforming the Russell 2000 Total Return index (Ticker RU20INTR, the Fund’s benchmark) which was down 3.28% in the quarter. Since inception, the strategy has returned **8.70%** annually (net of fees).

## Performance<sup>1</sup>

RETURNS AS OF JUNE 30, 2024 (% , net of fees)					
	MTD	QTD	YTD	2023	Annualised Since Inception
Fund <sup>2</sup>	0.66	-4.83	3.85	18.38	8.70
Benchmark <sup>3</sup>	-0.93	-3.28	1.73	16.93	7.67
Relative Performance	1.58	-1.55	2.12	1.45	1.03

**Past performance is not a reliable indicator of future performance and can be misleading.**

*Since Inception figures are annualized. Annual past performance related to ISIN LU2475550724. Performance is net of all fees except entry and exit fees (where applicable). Dividend reinvested for accumulative classes. Past performance is calculated in USD.*

## Quarter in Review

After a first quarter (approximately +400bps), we underperformed the Russell 2000 Total Return (RTY) benchmark by roughly 155bps net of fees during the second quarter. Small caps experienced one of their worst relative return quarters ever compared to large caps. Also, the index experienced a rare instance of meaningful contribution from two AI-related positions (SMCI and MSTR) which became an abnormally high weighting in the index. Excluding SMCI, the Russell 2000 rose just 0.76% YTD, and excluding both SMCI and MSTR, the RTY was up 0.40% YTD, causing most active managers to underperform. Notably, SMCI contributed to over half of the Russell 2000’s year-to-date performance. At the time of this writing, the Discover UCITS Fund is up over ~12% net of fees YTD on an absolute basis. As discussed later in this commentary, small caps have begun to outperform.

From a process perspective, the team has remained exceptionally active this quarter, meeting with roughly 40 company management teams as we continue to build a robust pipeline of new ideas. We initiated two new long positions in the technology sector this quarter. Additionally, we exited two positions as stock valuations rebounded.

## Contributors and Detractors<sup>4</sup>

<sup>1</sup> Past performance does not predict future returns. Where the reference currency of the fund differs than yours, returns and costs may increase or decrease as a result of currency and exchange rate fluctuations. This is not an exhaustive list of the costs. Other costs apply and differ per share class.

<sup>2</sup> The Fund = Aperture Discover Equity Fund (ticker APSIIUA LX). Sub-Fund Inception Date = July 20, 2022.

<sup>3</sup> Benchmark = the Fund’s Benchmark, Russell 2000 Total Return index (Ticker RU20INTR). One cannot invest directly in an index. The Fund is actively managed and references the Benchmark only for the purpose of performance fee calculation. The Investment Manager has full discretion over the composition of the Fund’s portfolio and therefore its composition may deviate substantially from the Benchmark so as to take advantage of specific investment opportunities.

<sup>4</sup> Holdings / Allocations subject to change. This document does not constitute an investment advice to buy or sell the presented securities. There is no guarantee that an investment objective will be achieved or that a return on capital will be obtained. The Fund does not benefit from any guarantee to protect the capital.

**Two of our top contributors in Q2 included Cava (ticker: CAVA) and Clean Harbors (ticker: CLH).**

Cava (“CAVA”) was a top performer for the strategy during the second quarter. Cava’s healthy performance was supported by strong Q1 results where the company announced an acceleration in sales trends, healthy margin progress, and improving productivity of recently opened units. We believe that Cava is in the early innings of building national brand awareness, which will support revenue growth and expand profits per store across its existing footprint. Additionally, with only a limited number of stores in the Midwest and Western United States, Cava has significant whitespace to replicate its successful blueprint and expand its overall footprint for years to come. As Cava gains additional scale, further enhances its brand awareness, and drives greater throughput efficiencies per store, we expect to see considerable growth and share price opportunities ahead.

Clean Harbors (“CLH”) is the market leader in environmental, field, and industrial services with the largest network of scarce incinerator and waste processing assets in the US. CLH’s healthy performance has been driven by strong operating momentum across verticals in environmental services led by rising waste volume, mix improvements toward higher value waste streams (and away from its lower margin motor oil recycling business), and strong pricing power in the incinerator and landfill businesses. Simply put, CLH’s assets are scarce and in demand. Over the long term, we expect CLH to consistently grow its top-line revenue organically with strong demand driving pricing above inflation and leading to strong EBITDA margin expansion.

**Our largest detractors over the quarter were Vestis (ticker: VSTS) and Trex Decking (ticker: TREX):**

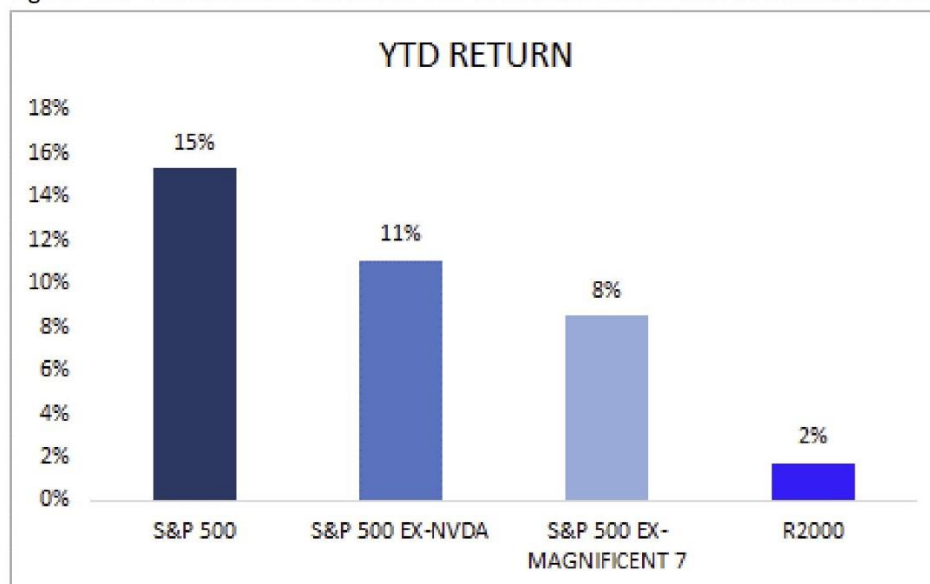
Vestis Corp (“VSTS”) was a top detractor in the second quarter after it lowered its guidance. The stock decline was severe as it was a relatively unseasoned equity (spun-out from ARMK in 4Q23) and weaker pricing and growth forecast called the earnings progression into question. Our thesis is that VSTS was an undermanaged business under Aramark that as a standalone company could grow its margins to be more in line with its peers. Since the guidance reduction, an activist investor purchased a >12% stake in the business and obtained a seat on the board. Longer term, we believe Vestis has good opportunity to improve the performance of the business in line with our initial thesis.

Trex Decking (“TREX”) was a top detractor in the second quarter. The company reported healthy 1Q 2024 performance, with strong margins and sell-through in the dealer channel but, as typical, management remained measured from a guidance perspective. Higher interest rates during the quarter and the perception amongst residential building products peers caused TREX to underperform, reversing strong Q4 2023 and YTD gains. We see this pullback as ephemeral and remain highly encouraged by the opportunity for strong sales and expanding margins at TREX, as we believe the company will continue to grow revenue from share gains and market transition from wood decking.

**Outlook – we see an increasingly positive backdrop for small-cap performance and our concentrated approach.**

There has been much debate about the merits of, and prospects for, small caps, driven largely by the historic underperformance of small caps relative to large caps. Over the past 3 years, the Russell 2000 has underperformed the S&P 500 by 40%, in large part driven by the outstanding contribution from the Mega Cap tech companies. Year to date, this dynamic was even more pronounced.

Fig 30. S&P 500 still beats the R2000 YTD even with seven hands tied behind its back



Source: Furey Research Partners and FactSet. Data as of 6/30/24. "Magnificent 7" are AAPL, MSFT, GOOG, AMZN, NVDA, META and TSLA

Key debates on the small-cap opportunity set have centered around the growth and cash flow dynamics of the mega-cap tech group commonly referred to as the Magnificent 7, in contrast to the underlying quality concerns of the Russell 2000 index. It's worth noting that the Russell 2000, with close to 2000 constituents, offers broad diversity. At the index level, it's well understood that a cohort of small caps are of lower quality. They are more economically sensitive, as they tend to be more levered than the large-cap index (net debt to EBITDA of ~3x), and 30% of the index is composed of non-earners.

However, not all small caps fit that description, and in our view, a plethora of good opportunities appear to be attractively valued. In fact, according to Empirical Research, the top quintile of free cash flow margin companies within the small-cap universe are trading at a 20-30% valuation discount to a similar cohort of large-cap peers. Like for like high-quality cash flow producers are trading at a historic discount to large caps as shown below:

Small-Capitalization Stocks (ex-Commodities & Biotech)  
The Highest Quintile of Free Cash Flow Margins  
Forward-P/E Ratio Relative to the Same Cohort in Large-Cap Stocks<sup>1</sup>  
1976 Through Early-July 2024

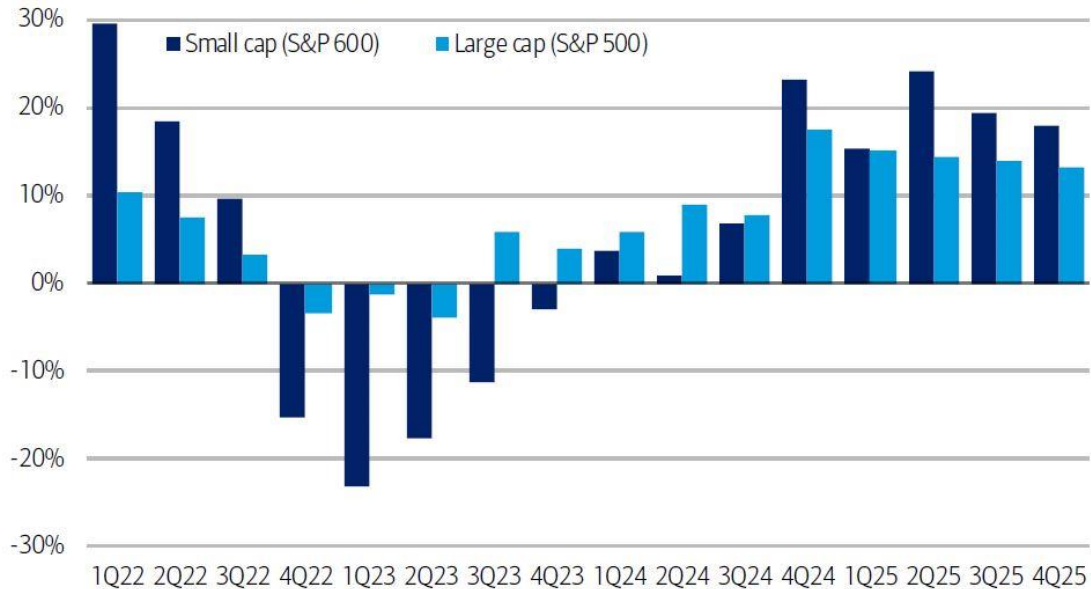


Source: Empirical Research Partners Analysis.  
<sup>1</sup> Capitalization-weighted data.

In addition, current expectations point to small caps exhibiting superior earnings growth to large caps over the next 1-2 years. Simply put, we see inexpensive starting points and potential for accelerating earnings offering good potential for small-cap outperformance.

## Small caps profits expected to continue to recover, but back-end loaded growth in 2024

Quarterly y/y bottom up EPS growth trajectory for S&P 600 vs S&P 500  
(Consensus estimates 1Q24 onward)



Source for two top charts: FactSet, BofA US Equity & US Quant Strategy

In stark contrast to the small-cap universe, we consider our portfolio has far better fundamental characteristics. With a net debt to EBITDA ratio closer to 0, and many holdings are debt-free or in a net cash position. In addition, based on our internal assumptions, our revenue growth expectations, are multiples higher than the index and the vast majority of our holdings are profitable, cash generative and poised to generate a significant acceleration of Free Cash Flow production over the coming years. Despite how we perceive our portfolio's positive differentiation, our analysis suggests our portfolio trades at only a modest valuation multiple premium to the Russell 2000.

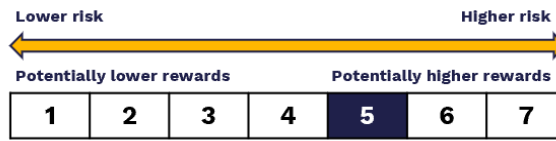
During the month of July, we have begun to see a significant uptick in small-cap performance vs. large caps and the Magnificent 7. The Fed has been clear about its data dependency, and the data has begun to reflect a more benign inflation backdrop. Coupled with a more balanced labor market, this sets the stage for a period of less restrictive monetary policy, which should benefit small-cap performance. We have already begun to see the beginnings of this effect, as the Russell has outperformed the S&P meaningfully over the past weeks.

Given attractive valuations, and prospects for accelerated earnings growth, the asset class is likely to come back into favor. We've begun to see small-cap performance inflect, and if the Fed begins to reduce rates that should be the catalyst to bring more investors into the asset class.

As always, please do not hesitate to contact us should you have further questions.

Brad McGill  
Discover Fund Portfolio Manager

### Risk Profile of Discover Equity Fund



The summary risk indicator (“SRI”) level, as calculated under the PRIIPS methodology, is 5 (which is a medium-high risk class). Investments involve risks. Past performance does not predict future return.

The inherent main risks of the sub-fund (non-exhaustive list): Sustainable finance risk, Market risk, Volatility risk. Due to the exposure of the Sub-fund to financial derivative instruments the volatility can at times be magnified, Equity, Investment in smaller companies, foreign exchange, Short exposure risk, Derivatives, OTC financial derivative instruments, Rule 144A and/or Regulation S securities.

### IMPORTANT INFORMATION

Investments involve risks. Past performance does not predict future returns. There can be no assurance that an investment objective will be achieved or that there will be a return on capital. You may not get back the amount initially invested. Before making any investment decision, investors must read the Prospectus, and particularly the Risk Factors, as well as the Key Information Document (KID) or Key Investor Information Document (KIID) as applicable to their jurisdiction.

Costs: (illustrative class: ISIN LU2475550724 – registered in AT, BE, DE, FR, IT, LU, NL, UK): Entry charge: up to 3% max, Exit charge: none, Ongoing charge: 0.77% per year. Performance fee: For its services to the Sub-fund, the Investment Manager is entitled to a variable management fee (“VMF”), which is calculated and accrued daily, at a rate of 2.175% (the “VMF Midpoint”). The VMF Minimum portion of the VMF will be calculated and accrued daily based on the Sub-fund’s NAV. The rest of the VMF amount, if any, will be calculated and accrued daily based on the Sub-fund’s daily Modified Net Assets, adjusted upward or downward by a performance adjustment (the “Performance Adjustment”) that depends on whether, and to what extent, the performance of the Sub-fund exceeds, or is exceeded by, the performance of the Benchmark plus 6.25% (the “VMF Midpoint Hurdle”) over the Performance Period. For a full description of the VMF please see the applicable section in Appendix A contained in the Prospectus.

This marketing communication is related to **Aperture Investors SICAV**, an open-ended investment company with variable capital (SICAV) under Luxembourg law of 17 December 2010, qualifying as an undertaking for collective investment in transferable securities (UCITS) and its Sub-Fund, Discover Equity Fund altogether referred to as “the Fund”. This marketing communication is intended **only for professional investors in Austria, Germany, United Kingdom, Spain, Italy, Luxembourg, and the Netherlands**, where the Fund is registered for distribution, within the meaning of the Markets in Financial Instruments Directive 2014/65/EU (MiFID) and **is not intended for retail investors**. The Fund has not been registered under the United States Investment Company Act of 1940, as amended, and is **not intended for U.S. Persons** as defined under Regulation S of the United States Securities Act of 1933, as amended.

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**Investors should note the specific risk warnings:**

Equity Market Risk – The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole.

Small and Medium Capitalization Risk – The risk that small and medium capitalization companies in which the strategy may invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small, and medium capitalization companies may have limited product lines, markets and financial resources and may depend upon a relatively small management group. Therefore, small capitalization and medium capitalization stocks may be more volatile than those of larger companies. Small capitalization and medium capitalization stocks may be traded over-the-counter (“OTC”). OTC stocks may trade less frequently and in smaller volume than exchange listed stocks and may have more price volatility than that of exchange-listed stocks.

Derivatives Risk – The strategy’s use of futures contracts, forward contracts, options, and swaps is subject to market risk, leverage risk, correlation risk and liquidity risk. Leverage risk, liquidity risk and market risk are described elsewhere in this section. Many OTC derivative instruments will not have liquidity beyond the counterparty to the instrument. Correlation risk is the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate, or index. The strategy’s use of forward contracts and swap agreements is also subject to credit risk and valuation risk. Valuation risk is the risk that the derivative may be difficult to value and/or may be valued incorrectly. Credit risk is the risk that the issuer of a security or the counterparty to a contract will default or otherwise become unable to honor a financial obligation. Each of these risks could cause the strategy to lose more than the principal amount invested in a derivative instrument. Some derivatives have the potential for unlimited loss, regardless of the size of the strategy’s initial investment. The other parties to certain derivative contracts present the same types of credit risk as issuers of fixed income securities. The strategy’s use of derivatives may also increase the amount of taxes payable by shareholders. Both U.S. and non-U.S. regulators are in the process of adopting and implementing regulations governing derivatives markets, the ultimate impact of which remains unclear.

Leverage Risk – The strategy’s use of derivatives and short sales may result in the strategy’s total investment exposure substantially exceeding the value of its portfolio securities and the strategy’s investment returns depending substantially on the performance of securities that the strategy may not directly own. The use of leverage can amplify the effects of market volatility on the strategy’s share price and may also cause the strategy to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations. The strategy’s use of leverage may result in a heightened risk of investment loss.

IPO Risk – The market value of shares issued in an IPO may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about a company’s business model, quality of management, earnings growth potential, and other criteria used to evaluate its investment prospects. Accordingly, investments in IPO shares involve greater risks than investments in shares of companies that have traded publicly on an exchange for extended periods of time. Investments in IPO shares may also involve high transaction costs, and are subject to market risk and liquidity risk, which are described elsewhere in this section. Short Exposure Risk – the strategy may proceed with short-term sales of their investment via the use of derivatives. The short exposure risk results from short sales achieved through the



use of derivatives and includes the potential for losses exceeding the cost of the investment, as well as the risk that the third party to the short sale will not fulfil its contractual obligations.

**Rule 144A and Regulation S Risk** - SEC Rule 144A provides a safe harbor exemption from the registration requirements of the US Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. Regulation S provides an exclusion from registration requirements of the US Securities Act of 1933 for offerings made outside the United States by both US and foreign issuers. A securities offering, whether private or public, made by an issuer outside of the United States in reliance on Regulation S need not be registered. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions is limited and might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular security.

For further information on risks related to the Fund please see the Prospectus.

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